

Table 5.7

FUNCTION: Finance			
SUB-FUNCTION: Finance			
REPORTING LEVEL	DETAIL		
OVERVIEW	<p>The main objective of the department is to secure sound and sustainable management of the Fiscal and Financial affairs of Merafong City Local Municipality by ensuring compliance with legislation and practicing of General Recognized Accounting Practice (GRAP) and sound Standards Accounting Principles and norms and other requirements for.</p> <ul style="list-style-type: none"> Ensuring transparency, accountability and appropriate lines of responsibility in the Fiscal and the Financial Affairs of Merafong City Local Municipality. The management of Revenue, Expenditure Assets and Liabilities and the handling of their financial dealings Budgeting and Financial Planning Processes and the co-ordination of those processes Acquisition of Long Term Loans Supply Chain Management and Procurement ICT (Information Communication Technology) 		
ANALYSIS OF FUNCTION	Number and cost to employer of personnel:	Total	Cost
	Professional (Directors/Managers)	7	R3,935,191.39
	Field (Supervisors/Foremen)	0	R0
	Office (Clerical/Administration)	83	R14,497,840.26
	Non-professional (blue collar, outside workforce)	1	R135,372.26
	Temporary	2	R71,288.54
	Contract	0	R0
DESCRIPTION OF ACTIVITY	<p>The function of Finance within the municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> Income Section Credit Control and Client Services Expenditure Section Supply Chain Management Section Budget and Treasury Office Information, Communication & Technology <p>These services extend to include the above functions, but do not take account of the above functions which resides within the jurisdiction of local government. The municipality has a mandate to:</p> <ul style="list-style-type: none"> Handle all matters that relate to Revenue of Council viz, collection of revenue, recording of revenue, implementation of tariffs to charge residents for services rendered, issuing of monthly accounts. 		

SUB-FUNCTION: FINANCE**REPORTING LEVEL****DETAIL****DESCRIPTION OF ACTIVITIES**

- Debtors' management and indigent registration and management.
- Implementation of the Credit Control Policy and Client Services to entrench to Batho Pele Principles of the Government.
- To handle all matters that relates to the payment for all services rendered and purchases of goods and services required ensuring that Council attain its mandate.
- The processing of all payments is made in the department. The department is also responsible for the safekeeping of documentation arising out of making payments. All payments of salaries for staff, wages and allowances for councilors are made in the section. The section is also responsible for the payment of all subsistence and travelling allowances, all creditors and long-term loans.
- The Supply Chain Management Section is responsible for all procurement of Goods and Storage of such goods.
- This section is also responsible for the implementation and monitoring of the Tender Processes. They are responsible for ensuring the compliances with the Supply Chain Policy of Council and also compliance with the MFMA in all aspects as for supply chain management is concerned.
- Compliance of the database of all the suppliers falls within the section.
- The Treasury and Budgetary Office (finance section) manages the corporate financial affairs of the Council to ensure best possible services are rendered with available funds. The section provides strategic financial management and financial services to internal clients. (Municipal departments, divisions, sections and functions).
- The section is responsible for compilation of the Annual Financial Statements, monitoring and driving the budgetary process. Implementing and maintaining a control system to ensure that accurate information about the municipality's financial position is available for Internal and External stakeholders and / or role- players to make informed decisions. The finance section is also responsible for the short-term insurance portfolio of Council.
- ICT renders an integrated information technology environment to support the Municipality's core business processes. The section has been successful in crafting an ICT strategy that addresses Merafong's IT challenges such as Master System Plan and E-governance.

Table 5.7.1 Key issues for 2008/2009

Task	Responsibility	Status Quo	Revised target date
❖ Ensure effective Meter Reading	Manager Income	<p>The relationship between the Municipality and the contractor has been excellent over the years and this has translated into a significant reduction in complaints on meters read and overall improvement in the billing process</p> <p>A more user friendly statement of account has since been introduced</p>	Ongoing
❖ Implementation of the Municipal Property Rates Act	Manager Income	<p>The Rating Act was implemented on the 1 July 2008 and the public participation process as required in the Act was adhered to. The highlight of the implementation was when Council received affirmation from sectors such as the Agricultural Forum to implement and charge property tax as required by the Act. Rebates & exemptions were given to qualifying ratepayers.</p>	June 2010
❖ Rigorously Implement Credit Control Policy	Manager Credit Control and Client Service	<p>Reports are given to EXCO and Mayoral Committee on Credit Control measures taken in terms of Existing policy.</p> <p>Service Providers appointed to revise and realign all finance related policies and by-laws (in line with NT Regulations) including Credit Control and Indigent Policies</p> <p>A new Credit Control Policy to improve the existing policy must be developed.</p>	<p>Ongoing</p> <p>30 June 2010</p>
❖ Ensure effective Asset Management Plan	Manager Finance	<p>Council appointed a service provider to verify, value and compile an infrastructure asset register as required by GRAP 17. This is a multiyear project that will be completed in the 2009/2010 financial year.</p> <p>Council had purified Councils movable Asset Register and implements all Accounting Standards related to GRAP 17 (Movable Assets).</p>	<p>30 June 2009</p> <p>30 June 2009</p>
❖ Implement Standard Bi-laws & Tariffs	Chief Financial Officer	<p>Councils Tariff Policy and Rates Policy have been Developed and were adopted by council during the 2008/2009 budget process.</p>	30 June 2009

Task	Responsibility	Status Quo	Revised target date
❖ Conversion and implementation of applicable GRAP standards	Manager Credit Control and Client Service	A verification committee was appointed and through the assistance of the ward committee indigents were identified. Services of Indigents were to ensure that the consumptions remain within the limits of the subsidy.	30 June 2009
❖ Identify and verify indigents	Manager Credit Control and Client Service	Council appointed CONLOG as a “Supervendor” to ensure access to 24 hour pre-paid electricity vending through 3 rd party merchants in all areas of Merafong	30 June 2009
❖ Implementation of an ICT strategy	Manager ICT	Implementation of the following activities, IT Policy, Microsoft Business Application compliance, software security and physical security in the server room, was rolled out during the financial year. Network infrastructure was upgraded. The, software development for an intranet portal, complaints management system and access to LG net was developed. A disaster recovery plan was implemented.	30 June 2009

Table 5.7.2 Debtor Billings and Collections for 2008/2009

Debtor Billings and Collections	Billed	Received	Interest
<u>July 2008</u>			
Assessment Rates	5,543,579.66	4,136,473.21	
Electricity	9 581 571.50	9,151,761.27	
Water	11 128 836.10	9,128,641.99	
Sewerage	1 277 753.64	1,040,097.58	
Refuse Removal	1 854 711.33	1,262,778.74	
Total	<u>29 386 452.23</u>	<u>24,719,752.79</u>	<u>2,000,904.45</u>
<u>August 2008</u>			
Assessment Rates	5 349 081.27	4 178 220.33	
Electricity	9 928 592.01	7 853 905.07	
Water	11 983 225.75	9 091 084.09	
Sewerage	1 283 808.28	433 803.45	
Refuse Removal	1 894 481.07	570 117.25	
	<u>30 439 188.38</u>	<u>22 127 130.19</u>	<u>1,630,030.07</u>

Debtor Billings and Collections	Billed	Received	Interest
<u>September 2008</u>			
Assessment Rates	4 893 060.64	4 966 964.65	
Electricity	9 077 519.27	9 562 018.39	
Water	12 612 639.35	9 841 761.61	
Sewerage	1 595 663.72	552 554.91	
Refuse Removal	1 919 931.93	711 388.39	
<u>Total</u>	<u>30 098 814.91</u>	<u>25 634 687.95</u>	<u>1,829,842.40</u>
<u>October 2008</u>			
Assessment Rates	5 250 722.31	6 704 050.37	
Electricity	9 663 021.53	10 120 398.75	
Water	12 822 153.47	12 274 222.64	
Sewerage	1 499 823.78	1 281 544.35	
Refuse Removal	1 908 600.77	1 404 944.22	
<u>Total</u>	<u>31 144 321.86</u>	<u>31 785 160.33</u>	<u>1,815,425.13</u>
<u>November 2008</u>			
Assessment Rates	5 250 862.12	5 564 797.36	
Electricity	8 264 347.03	8 683 377.88	
Water	12 206 571.93	12 743 797.86	
Sewerage	1 585 388.88	919 749.74	
Refuse Removal	1 854 862.26	1 025 699.59	
<u>Total</u>	<u>29 162 032.22</u>	<u>28 937 422.43</u>	<u>1,911,678.29</u>
<u>December 2008</u>			
Assessment Rates	5 596 278.25	3 146 258.79	
Electricity	8 998 456.46	7 271 515.30	
Water	12 180 874.02	6 834 298.08	
Sewerage	1 259 706.15	938 105.24	
Refuse Removal	1 886 692.62	878 582.52	
<u>Total</u>	<u>29 922 007.50</u>	<u>19 068 759.93</u>	<u>1,711,276.35</u>
<u>January 2009</u>			
Assessment Rates	5 822 495.11	4 454 703.20	
Electricity	8 335 221.98	8 043 292.34	
Water	12 709 435.47	12 160 313.61	
Sewerage	1 490 991.22	822 277.97	
Refuse Removal	1 888 244.78	668 295.10	
<u>Total</u>	<u>30 246 388.56</u>	<u>26 148 882.22</u>	<u>1,959,416.24</u>
<u>February 2009</u>			
Assessment Rates	5 985 151.03	4 982 279.71	
Electricity	7 620 723.76	7 590 248.03	
Water	11 028 996.16	10 696 271.59	
Sewerage	1 186 094.72	873 569.72	
Refuse Removal	1 889 531.49	896 567.38	
<u>Total</u>	<u>27 710 497.16</u>	<u>25 038 936.43</u>	<u>1 988 046.44</u>

Debtor Billings and Collections	Billed	Received	Interest
<u>March 2009</u>			
Assessment Rates	5 518 247.74	6 261 241.77	
Electricity	8 221 941.97	8 968 285.68	
Water	12 895 462.56	10 239 651.01	
Sewerage	1 493 050.78	1 064 630.64	
Refuse Removal	1 889 293.73	1 488 699.47	
<u>Total</u>	<u>30 017 996.78</u>	<u>28 022 508.57</u>	<u>531 846.82</u>
<u>April 2009</u>			
Assessment Rates	5 632 205.78	4 677 527.03	
Electricity	8 105 348.89	7 285 504.85	
Water	10 400 318.32	7 177 140.95	
Sewerage	1 046 461.55	592 107.67	
Refuse Removal	1 881 655.35	743 846.91	
<u>Total</u>	<u>27 065 989.89</u>	<u>20 476 127.41</u>	<u>637 277.28</u>
<u>May 2009</u>			
Assessment Rates	5 632 710.04	4 338 477.28	
Electricity	8 354 789.64	8 015 522.88	
Water	11 920 361.97	11 615 916.38	
Sewerage	1 434 239.75	659 405.08	
Refuse Removal	1 887 734.70	679 401.20	
<u>Total</u>	<u>29 229 836.10</u>	<u>25 308 722.82</u>	<u>641 999.44</u>
<u>June 2009</u>			
Assessment Rates	5 969 757.25	6 475 151.02	
Electricity	10 203 259.37	9 598 992.89	
Water	12 274 903.15	12 358 915.71	
Sewerage	1 168 778.99	691 165.29	
Refuse Removal	1 862 570.57	1 150 550.71	
<u>Total</u>	<u>31 479 269.33</u>	<u>30 274 775.62</u>	<u>421 179.23</u>

Debtor Collections	Billed	Received	Percentage
Assessment Rates	66 444 151.20	64 341 296.24	96.84%
Electricity	106 354 793.41	102 144 823.33	96.04%
Water	144 163 778.25	124 162 015.52	86.13%
Sewerage	16 321 761.46	9 869 011.64	60.47%
Refuse Removal	22 618 310.60	11 480 871.48	50.76%
<u>Total</u>	<u>355 902 794.92</u>	<u>311 998 018.21</u>	<u>87.66%</u>

Outstanding Debtors	R	R
Assessment Rates	Current (0 – 30 days) 31 - 60 Days 61 - 90 Days 91 - 120 Days 121 - 365 Days + 365 Days Total	(2 776 988) 2 741 559 1 273 303 984 951 25 296 275 52 376 202 79 895 302
Electricity, Water and Sewerage: Ageing	Current (0 – 30 days) 31 - 60 Days 61 - 90 Days 91 - 120 Days 121 - 365 Days + 365 Days Total	38 842 497 48 740 336 7 035 854 5 992 834 120 990 081 113 918 498 335 520 100
Debt Written Off		R4,197,438
Property Valuations		
Residential	4 420 797	
Commercial	1 146 931	
State	74 249	
Municipal	194 539	
Total Property Valuations	5 836 516	81 854 278
Property Valuation		
Year Last of Valuation	2008	
Regularity of Valuation	4 Years	
Indigent Policy:		
Quantity (number of households affected)	4 838	
Quantum (total value across municipality)	6 032 209	
Outstanding Creditors	30 days	
Eskom Holdings Limited	9 563 647.95	
Rand Water (Gold Mines)	8 388 713.20	
Big Bravo JV	3 979 413.99	
Ultimate Dynamic	1 953 503.24	
Incedon-DPI (Pty) Ltd	1 497 415.53	
Credit Rating	Credit Rating	Credit Rating
Council did not apply for a Credit Rating		

Key Performance Indicators	2009	2008
Surplus (Deficit)	12 473 533	(11 967 330)
Salaries and Allowances: Total Expenses	30.16%	31.31%
Councilor Allowances: Total Expenses	2.05%	2.10%
General Expenditure: Total Expenses	18.83%	11.06%
Repairs and Maintenance: Total Expenses	2.16%	2.72%
Finance Charges and Depreciation: Total Expenses	2.36%	2.76%
RATIOS		
Liquidity	1.01:1	.91:1
Debtors Collection Period	914 days	967 days

Table 5.7.3 External Loans - 2008/2009

	Interest Rate	Redemption Date	Received 2008/2009 (R)	Redeemed or Written off 2008/2009 (R)
INCA	17.45%	2008/12/30		1 100 000
FBC Fidelity	Floating	2008/10/24		11 000 000
INCA	10.97%	2016/6/30		3 637 920
Development Bank of South Africa	5.00%	2007/06/30	16,961,654	
Development Bank of South Africa	Floating	2011/12/31		780,834
ABSA	Floating	2008/12/01	94	108,149
ABSA	Floating	2008/10/01	91	71,275
ABSA	Floating	2009/12/01	-95	14,522
Rentworks	Floating	2008/12/31	0	356,516
Rentworks	Floating	2009/01/01	0	200,341
Rentworks	Floating	2009/01/01	0	78,972
Rentworks	Floating	2009/04/01	0	976,882
Rentworks	Floating	2009/04/01	0	790,335
Rentworks	Floating	2009/07/01	0	325,181
Rentworks	Floating	2009/07/01	0	110,941
Rentworks	Floating	2009/10/01	0	114,181
Rentworks	Floating	2009/10/01	0	689,675
Amasondo	Fixed		3,041,638	5,389,990
MTN	Fixed		0	412,560
Nashua	Fixed		0	356,332
Konica	Fixed		300,010	52,262
			20,303,392	26,566,867

Operating Surplus
Operations within council in the current Financial year realized an Operational Surplus after appropriations of R12,473,533 (2007/2008) Operational deficit of R11,967,330)

Bank, Cash And Overdraft Balances
Councils bank balance had improved from R20,660,389 in 2007/2008 to R115,865,252 positive balance in 2008/2009

Table 5.7.4 Capital Programmes - 2008/2009

	(R)
Budget 2008/2009	R265 356 828
Acquisitions 2008/2009	R136 735 920
Disposals 2008/2009	R506 190
Review of Life of Assets	R4 962 420
<p><u>Reasons for under performance</u> Council converted housing projects to GRAP 17 during the year. Top structures were budgeted for as Assets. They are indeed operational expenses.</p> <p>Unfortunately the budget could not be transferred.</p>	

Table 5.7.5 Performance during the year, performance targets against actual achieved and plans to improve performance

<p>Basic Service Delivery</p> <p>1) To ensure sustainable service delivery: Increase and maintain payment levels of 84%</p> <p>Council could achieve a payment Level of 87.66%. The unstable situation in Khutsong since Merafong was transferred to North-West had deteriorated. This had spilled over to other areas. The demarcation issue had resulted in that the pay points in Khutsong were burnt down and payment levels had dropped to an all time low. Subsequent to this the pay point in Kokosi was also burnt down in 2007.</p> <p>The implementation of arrears collection through auxiliary payment system on pre paid electricity purchases had shown positive results.</p> <p>2) To implement an integrated Asset Register.</p> <p>All movable assets were verified and the asset register was compiled. Council has appointed a service provider to assist with the compilation of the Infrastructure Asset register.</p>
<p>Municipal Institutional Development and Transformation</p> <p>1) To ensure sound internal Resource Management by ensuring that 90% of all budgeted positions were filled.</p> <p>The department managed to fill 96% of all budgeted positions.</p> <p>Certain critical position remains a problem. Council found it difficult to attract qualified personnel in senior positions.</p>

Municipal Financial Viability and Management

Compliance to financial regulatory framework:

- 1) Coordinate and table budget to comply as prescribed by the MFMA time frames.
 - 2) Prepare and Submit Financial Statements to the Auditor-General as prescribed by the MFMA.
 - 3) Create a process to address gaps as identified in the Financial Audit
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- 1) Council budget was approved on the 29 May 2009 as prescribed by the Municipal Finance Management Act 30 days before the beginning of the next financial year.
 - 2) Council's financial statements were submitted as prescribed by the Municipal Finance Management Act on the 31 August 2008.
 - 3) A corrective action plan was developed and implemented to address the gaps identified by the Auditor-General. The plan was successfully implemented.

Operating Budget – 2008/2009	Actual - 2008/2009	Variance
R81,675,484	R80,387,632	1.58%

Reason for not achieving the budget

None

Good Governance and Public Participation

- 1) To broaden local democracy: Oversee the establishment of consultative forums.

Council had various budget consultative meetings with the community of Merafong..

5.8 REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009:

We are pleased to present our report for the financial year ended 30 June 2009.

Audit Committee members and attendance :

Name	Title	Date appointed
Ms L Mola	Chairperson	01 March 2006
Ms C Peche	Member	20 September 2006
Mr I Bredenkamp	Member	17 March 2008

1. Attendance of meetings

During the financial year under review five meetings were held to discuss matters relating to risk management, Internal Controls, the governance process and the financial statements.

The attendance record of members of the committee for this financial year is as follows:

Member	No of meetings held	No of meetings attended
Ms L Mola	5	5
Ms C Peche	5	5
Mr I Bredenkamp	5	5

2. Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 166 of the Municipal Finance Management Act, No. 56 of 2003 and Treasury Regulation 3.1. We further report that we conducted our affairs in compliance with this charter.

3. Effectiveness of Internal Control

The review of the effectiveness of the system of internal control by the Audit Committee is informed by the reports submitted by Internal Audit and management, who are responsible for the development and maintenance of the internal control system. The quality reports submitted by Internal Audit and management have facilitated an effective oversight role by the Audit Committee.

The system of internal control is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that the systems of internal control were not entirely adequate and effective for the year under review as compliance with some prescribed policies and procedures were lacking in certain instances.

Management are committed however, to improving the internal control environment by timeously addressing the issues raised by the auditors.

4. Submission of in- year management and monthly/ quarterly reports in terms of the Municipal Finance Management Act and the Treasury Regulations.

The committee has been informed by management that the monthly/ quarterly in-year management reports were compiled and submitted timeously as required in terms of legislation.

Evaluation of Financial Statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General South Africa and the Accounting Officer.
- Reviewed the Auditor-General South Africa's management report and management's response thereto;
- Reviewed changes in accounting policies and practices ;
- Reviewed the municipalities compliance with legal and regulatory provisions
- Reviewed significant adjustments resulting from the audit.
- We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted read together with the report of the Auditor-General South Africa.

Internal audit

We are satisfied that the internal audit function is operating efficiently and effectively and that it has addressed the risks pertinent to the municipality in its audits.

Auditor-General South Africa

We have met with the Auditor- General South Africa to ensure that there are no unresolved issues.

6. Appreciation

The committee expresses its sincere appreciation to the Honourable Mayor, Accounting Officer, Senior Management team, Internal Audit and the Auditor General.

Ms L Mola

Chairperson of the Audit Committee.

Date : 30 June 2009



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